

Message Text

LIMITED OFFICIAL USE

PAGE 01 CAIRO 06267 071644Z

43

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 SAM-01

AID-05 EB-07 TRSE-00 AGR-05 COME-00 /075 W

----- 002196

R 071605Z MAY 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 3254

LIMITED OFFICIAL USE CAIRO 6267

E.O. 11652: N/A

TAGS: ECON PFOR EG

SUBJ: GOVERNMENT STATEMENTS ON HIGH COST OF LIVING
ALLOWANCE AND SUBSIDY PROGRAM

REF: CAIRO 5832

1. IN AN EFFORT TO STILL GROWING PUBLIC SPECULATION
REGARDING EFFECTS OF RECENTLY DISCUSSED
REDUCTION IN SUBSIDY PROGRAM AND REVALUATION OF
CUSTOMS DUTIES AT PARALLEL MARKET EXCHANGE RATE,
PRESS CARRIED HEADLINE STORIES MAY 6 CONTAINING
REPORTING ON VARIOUS GOE DECISIONS AND EXPLANATORY
STATEMENTS RE DOMESTIC ECONOMIC POLICY.

2. REPORTING ON CABINET MEETING RE REDUCTION OF
SUBSIDIES THE PRESS REPORTS FOLLOWING THREE CABINET
DECISIONS ON SUBSIDY REDUCTIONS.

A. RATION CARDS WILL NOT BE ABOLISHED. SUPPLIES
OF NECESSARY COMMODITIES AT LOW PRICES WILL CONTINUE
TO BE PROVIDED FOR ALL. WEIGHT AND PRICE OF BALADY
BREAD WILL ALSO REMAIN THE SAME, I.E., ONE-HALF
PIASTER PER LOAF.

B. SUBSIDIES WILL BE ABOLISHED ON FROZEN
CHICKEN AND MEAT. (FYI: CURRENTLY RATION

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 06267 071644Z

CARDS GUARANTEE CITIZENS CERTAIN QUANTITIES OF

MEAT AT SUBSIDIZED PRICE. FREE MARKET PRICE
OF MEAT RUNNING APPROXIMATELY 60-100 PERCENT
HIGHER THAN SUBSIDIZED PRICE.) CABINET CLAIMS
THIS WILL SAVE APPROXIMATELY LE 10 MILLION IN 1976.
C. SUBSIDIES FOR HALAWA, A SUGAR-BASED RAW
MATERIAL FOR MANY ARAB SWEET DELICACIES, WILL BE
ABOLISHED. CABINET NOTED THAT WHILE PRICE IS
SUBSIDIZED TO BAKERS, BAKERS RARELY PASS ON THIS
SUBSIDY TO CONSUMERS. THEREFORE PRICE OF FINISHED
GOODS SHOULD NOT BE MARKEDLY AFFECTED. SAVING
TO GOE WILL BE LE 14 MILLION PER YEAR.

3. MININDUSTRY SHAHIN ADDRESSED SPECULATION ON IMPACT OF
REVALUATION OF CUSTOMS DUTIES AT PARALLEL RATE VICE
OFFICIAL RATE. MINISTER POINTED OUT THAT ONLY LE 350
MILLION OF IMPORTS OUT OF A TOTAL OF LE2,250 MILLION (SIC)
IMPORTS IN 1976 WOULD BE REVALUED AT PARALLEL RATE. HE
SAID THAT NET EFFECT ON PRICE OF THESE GOODS SHOULD BE INCREASE
OF ONLY ABOUT 11 PERCENT. MINISTER GAVIE FOLLOWING LIST OF
COMMODITIES WHICH WOULD BE SPECIFICALLY EXEMPT FROM
VALUATION IN PARALLEL MARKET. THESE COMMODITIES ARE
FERTILIZERS , PESTICIDES, PESTICIDES SPRAY MACHINERY,
SPARE PARTS FOR SPRAY MACHINES, RADYMADE PARMACEUTICALS,
CHILDREN'S MILK, RAW MATERIALS AND PRODUCTION REQUIRMENTS
FOR ALL NECESSARY COMMODITIES, MILK PRODUCTS, MEAT,
ARTIFICIAL OILS, SPICES, HALAWA, FOOD OILS, TOMATO
SAUCE, DY DATES, MACARONI AND ALL COMPONENTS OF
RECONSTRUCTION PROJECTS AS DEXCRIBED BY MININDUSTRY IN LAW
113 OF 1975. FURTHER, ABOVE EXEMPTIONS WOULD APPLY TO IMPORTS
IN BOTH PUBLIC AND PRIVATE SECTOR. REGARDING THOSE ITEMS WHICH
WOULD BE VALUED AT PARALLEL MARKET VICE OFFICIAL RATE MINISTER
MENTIONED TEXTILE MACHINERY, PLASTIC RAW MATERIALS,
REFIGERATORS, TVS, WOOL CLOTH AND CHOCOLATES.

4. MINISTER ALSO SAID THAT PUBLIC COULD BE ASSURED THAT WHERE
RAW MATERIALS FOR ESSENTIAL SUPPLY COMMODITIES WERE
AFFECTED BY CUSTOMS REVALUATION, GOVERNMENT WOULD
PROVIDE SHBSIDY TO KEEP PRICE FROM RISING.

5. COMMENT. GOVERNMENT STILL HAS WAYS TO GO IN PROCESS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CAIRO 06267 071644Z

CUTTING SUBSIDIES BY TOTAL OF LE 100 MILLION. BY MAKING
AMMOUNCEMENTS A LITTLE AT A TIME, HOWEVER, THEY WILL AT
LEAST HAVE BENEFIT OF TESTING PUBLIC REACTION BEFORE LAUNCHING
INTO FURTHER CUTS.
SENSITIVE POLITICAL ASPECTS OF
THESE ECONOMID DECISIONS FOR GOE IS INDICATED BY CAREFUL
APPROACH AND ATTENTION TO REASSURING PUBLIC EACH TIME
ADDITIONAL STEP IS ANNOUNCED.

6. AS SAME TIME, DISTORTION - OR MISUNDERSTANDING- OF AMOUNTS
TO BE IMPORTED AT PARALLEL RATE CAN ONLY BE CONSIDERED AS UNWISE.
AT SOME POINT, POPULACE WILL DISCOVER THAT FAR GREATER NUMBERS
ARE INVOLVED, AND IT CAN BE SAFELY ASSUMED THA IMF REPS ARE
ALREADY PREPARING QUESTIONS ON JUST THAT SUBJECT. EGYPTIAN PRESS,
AT VERY LEAST, HAS A PERCHANT FOR DISSEMBLANCE THAT APPEARS TO KEEP
POPULATION QUIET FOR TIME
BEING BUT RAISES QUESTIONS IN MINDSOF OTHER
MORE SOPHISTICATED READERS.
EILTS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, PFOR EG, ECONOMIC PROGRAMS, SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO06267
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760177-0016
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760581/aaaacrijj.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 CAIRO 5832
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUN 2004 by SmithRJ>; APPROVED <04 OCT 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNMENT STATEMENTS ON HIGH COST OF LIVING ALLOWANCE AND SUBSIDY PROGRAM
TAGS: ECON, PFOR, EG
To: SECSTATE WASHDC
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006